

REFERENCE TITLE: health savings accounts; reimbursement; incentives

State of Arizona
House of Representatives
Forty-ninth Legislature
First Regular Session
2009

HB 2307

Introduced by
Representatives Reagan: Hendrix

AN ACT

AMENDING TITLE 20, CHAPTER 2, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 20-224.06; AMENDING SECTIONS 43-1022 AND 43-1122, ARIZONA REVISED STATUTES; RELATING TO TAXATION.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 20, chapter 2, article 1, Arizona Revised Statutes,
3 is amended by adding section 20-224.06, to read:

4 20-224.06. Premium tax: exemption

5 AN INSURER IS EXEMPT FROM THE PREMIUM TAXES THAT ARE REQUIRED BY
6 SECTIONS 20-224, 20-837 AND 20-1060 FOR THE NET PREMIUMS RECEIVED FOR HIGH
7 DEDUCTIBLE HEALTH PLANS ISSUED IN CONNECTION WITH A HEALTH SAVINGS ACCOUNT
8 THAT IS ESTABLISHED UNDER SECTION 223 OF THE INTERNAL REVENUE CODE.

9 Sec. 2. Section 43-1022, Arizona Revised Statutes, is amended to read:

10 43-1022. Subtractions from Arizona gross income

11 In computing Arizona adjusted gross income, the following amounts shall
12 be subtracted from Arizona gross income:

13 1. The amount of exemptions allowed by section 43-1023.

14 2. Benefits, annuities and pensions in an amount totaling not more
15 than two thousand five hundred dollars received from one or more of the
16 following:

17 (a) The United States government service retirement and disability
18 fund, retired or retainer pay of the uniformed services of the United States,
19 the United States foreign service retirement and disability system and any
20 other retirement system or plan established by federal law.

21 (b) The Arizona state retirement system, the corrections officer
22 retirement plan, the public safety personnel retirement system, the elected
23 officials' retirement plan, an optional retirement program established by the
24 Arizona board of regents under section 15-1628, an optional retirement
25 program established by a community college district board under section
26 15-1451 or a retirement plan established for employees of a county, city or
27 town in this state.

28 3. A beneficiary's share of the fiduciary adjustment to the extent
29 that the amount determined by section 43-1333 decreases the beneficiary's
30 Arizona gross income.

31 4. The amount of any distributions from an individual retirement
32 account as provided for in section 408 of the internal revenue code or from a
33 qualified retirement plan of a self-employed individual as provided for in
34 section 401 of the internal revenue code to the extent that total adjustments
35 made pursuant to this paragraph in all tax years do not exceed the total of
36 all contributions made by the taxpayer to such plans ~~prior to~~ BEFORE December
37 31, 1975, which were included in computing Arizona taxable income.

38 5. The amount of income on an installment receivable which is
39 recognized pursuant to the internal revenue code and which has already been
40 recognized on the death of the taxpayer for purposes of this title for tax
41 years ending before January 1, 1990.

42 6. Interest income received on obligations of the United States, less
43 any interest on indebtedness, or other related expenses, and deducted in
44 arriving at Arizona gross income, which were incurred or continued to
45 purchase or carry such obligations.

1 7. The amount of any income tax refunds which were received from
2 states other than Arizona and which were included as income in computing
3 federal adjusted gross income.

4 8. Annuity income included in federal adjusted gross income pursuant
5 to section 72 of the internal revenue code if the first payment with respect
6 to such annuity was received ~~prior to~~ BEFORE December 31, 1978.

7 9. The excess of a partner's share of income required to be included
8 under section 702(a)(8) of the internal revenue code over the income required
9 to be included under chapter 14, article 2 of this title.

10 10. The excess of a partner's share of partnership losses determined
11 pursuant to chapter 14, article 2 of this title over the losses allowable
12 under section 702(a)(8) of the internal revenue code.

13 11. The amount by which the adjusted basis of property described in
14 this paragraph and computed pursuant to this title and the income tax act of
15 1954, as amended, exceeds the adjusted basis of such property computed
16 pursuant to the internal revenue code. This paragraph shall apply to all
17 property which is held for the production of income and which is sold or
18 otherwise disposed of during the taxable year other than depreciable property
19 used in a trade or business.

20 12. The amount allowed by section 43-1024 for amortization, by a
21 qualified defense contractor certified by the department of commerce under
22 section 41-1508, of a capital investment for private commercial activities.

23 13. The amount of gain included in federal adjusted gross income on the
24 sale or other disposition of a capital investment that a qualified defense
25 contractor has elected to amortize pursuant to section 43-1024.

26 14. The amount allowed by section 43-1025 for contributions during the
27 taxable year of agricultural crops to charitable organizations.

28 15. The portion of any wages or salaries paid or incurred by the
29 taxpayer for the taxable year that is equal to the amount of the federal work
30 opportunity credit, the empowerment zone employment credit, the credit for
31 employer paid social security taxes on employee cash tips and the Indian
32 employment credit that the taxpayer received under sections 45A, 45B, 51(a)
33 and 1396 of the internal revenue code.

34 16. The amount of prizes or winnings less than five thousand dollars in
35 a single taxable year from any of the state lotteries established and
36 operated pursuant to title 5, chapter 5, article 1, except that all such
37 winnings before March 22, 1983, including periodic distributions from such
38 winnings made after March 22, 1983, may be subtracted.

39 17. The amount of exploration expenses that is determined pursuant to
40 section 617 of the internal revenue code, that has been deferred in a taxable
41 year ending before January 1, 1990 and for which a subtraction has not
42 previously been made. The subtraction shall be made on a ratable basis as
43 the units of produced ores or minerals discovered or explored as a result of
44 this exploration are sold.

1 18. The amount included in federal adjusted gross income pursuant to
2 section 86 of the internal revenue code, relating to taxation of social
3 security and railroad retirement benefits.

4 19. To the extent not already excluded from Arizona gross income under
5 the internal revenue code, compensation received for active service as a
6 member of the reserves, the national guard or the armed forces of the United
7 States, including compensation for service in a combat zone as determined
8 under section 112 of the internal revenue code.

9 20. The amount of unreimbursed medical and hospital costs, adoption
10 counseling, legal and agency fees and other nonrecurring costs of adoption
11 not to exceed three thousand dollars. In the case of a husband and wife who
12 file separate returns, the subtraction may be taken by either taxpayer or may
13 be divided between them, but the total subtractions allowed both husband and
14 wife shall not exceed three thousand dollars. The subtraction under this
15 paragraph may be taken for the costs that are described in this paragraph and
16 that are incurred in prior years, but the subtraction may be taken only in
17 the year during which the final adoption order is granted.

18 21. The amount authorized by section 43-1027 for the taxable year
19 relating to qualified wood stoves, wood fireplaces or gas fired fireplaces.

20 22. With respect to a medical savings account established pursuant to
21 section 43-1028:

22 (a) An eligible individual may subtract:

23 (i) The amount of contributions made by the individual's employer
24 during the taxable year to the individual's medical savings account pursuant
25 to section 43-1028 to the extent that the employer contributions are included
26 in the individual's federal adjusted gross income.

27 (ii) The amount deposited by the individual in the account during the
28 taxable year to the extent that the individual's contributions are included
29 in the individual's federal adjusted gross income.

30 (b) The individual's employer may subtract the amount of contributions
31 made by the employer to a medical savings account established on the
32 individual's behalf to the extent that the contributions are not deductible
33 under the internal revenue code.

34 23. The amount by which a net operating loss carryover or capital loss
35 carryover allowable pursuant to section 43-1029, subsection F exceeds the net
36 operating loss carryover or capital loss carryover allowable pursuant to
37 section 1341(b)(5) of the internal revenue code.

38 24. Any amount of qualified educational expenses that is distributed
39 from a qualified state tuition program determined pursuant to section 529 of
40 the internal revenue code and that is included in income in computing federal
41 adjusted gross income.

42 25. Any item of income resulting from an installment sale that has been
43 properly subjected to income tax in another state in a previous taxable year
44 and that is included in Arizona gross income in the current taxable year.

26. The amount authorized by section 43-1030 relating to holocaust survivors.

27. The amount authorized by section 43-1031 for constructing an energy efficient residence.

28. An amount equal to the depreciation allowable pursuant to section 167(a) of the internal revenue code for the taxable year computed as if the election described in section 168(k)(2)(D)(iii) of the internal revenue code had been made for each applicable class of property in the year the property was placed in service.

29. With respect to property that is sold or otherwise disposed of during the taxable year by a taxpayer that complied with section 43-1021, paragraph 26 with respect to that property, the amount of depreciation that has been allowed pursuant to section 167(a) of the internal revenue code to the extent that the amount has not already reduced Arizona taxable income in the current or prior taxable years.

30. With respect to property for which an adjustment was made under section 43-1021, paragraph 27, an amount equal to one-fifth of the amount of the adjustment pursuant to section 43-1021, paragraph 27 in the year in which the amount was adjusted under section 43-1021, paragraph 27 and in each of the following four years.

31. For taxable years beginning from and after December 31, 2007 through December 31, 2012, the amount contributed during the taxable year to college savings plans established pursuant to section 529 of the internal revenue code to the extent that the contributions were not deducted in computing federal adjusted gross income. The amount subtracted shall not exceed:

(a) Seven hundred fifty dollars for a single individual or a head of household.

(b) One thousand five hundred dollars for a married couple filing a joint return. In the case of a husband and wife who file separate returns, the subtraction may be taken by either taxpayer or may be divided between them, but the total subtractions allowed both husband and wife shall not exceed one thousand five hundred dollars.

32. To the extent not already excluded from Arizona gross income under the internal revenue code, the amount authorized by section 43-1032 for displaced pupils choice grants.

33. THE AMOUNT OF ANY REWARDS OR INCENTIVES RECEIVED UNDER A WELLNESS PROGRAM AS DESCRIBED IN SECTION 20-2310, SUBSECTION N.

34. WITH RESPECT TO A HEALTH SAVINGS ACCOUNT THAT IS ESTABLISHED UNDER SECTION 223 OF THE INTERNAL REVENUE CODE:

(a) FOR AN ELIGIBLE INDIVIDUAL:

(i) THE AMOUNT OF CONTRIBUTIONS MADE BY THE INDIVIDUAL'S EMPLOYER DURING THE TAXABLE YEAR TO THE INDIVIDUAL'S HEALTH SAVINGS ACCOUNT TO THE EXTENT THAT THE CONTRIBUTIONS ARE INCLUDED IN THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME.

(ii) THE AMOUNT DEPOSITED BY THE INDIVIDUAL IN THE INDIVIDUAL'S HEALTH SAVINGS ACCOUNT DURING THE TAXABLE YEAR TO THE EXTENT THAT THE INDIVIDUAL'S CONTRIBUTIONS ARE INCLUDED IN THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME.

(b) FOR THE INDIVIDUAL'S EMPLOYER, THE AMOUNT OF CONTRIBUTIONS MADE BY THE EMPLOYER TO AN INDIVIDUAL'S HEALTH SAVINGS ACCOUNT TO THE EXTENT THAT THE CONTRIBUTIONS ARE NOT DEDUCTIBLE UNDER THE INTERNAL REVENUE CODE.

35. WITH RESPECT TO A HEALTH REIMBURSEMENT ARRANGEMENT THAT QUALIFIES UNDER SECTION 105 OF THE INTERNAL REVENUE CODE:

(a) FOR AN INDIVIDUAL, THE AMOUNT OF CONTRIBUTIONS MADE BY THE INDIVIDUAL'S EMPLOYER ON BEHALF OF THE INDIVIDUAL DURING THE TAXABLE YEAR UNDER THE HEALTH REIMBURSEMENT ARRANGEMENT TO THE EXTENT THAT THE CONTRIBUTIONS ARE INCLUDED IN THE INDIVIDUAL'S FEDERAL ADJUSTED GROSS INCOME.

(b) FOR THE INDIVIDUAL'S EMPLOYER, THE AMOUNT OF CONTRIBUTIONS MADE BY THE EMPLOYER ON BEHALF OF AN INDIVIDUAL DURING THE TAXABLE YEAR UNDER A HEALTH REIMBURSEMENT ARRANGEMENT TO THE EXTENT THAT THE CONTRIBUTIONS ARE NOT DEDUCTIBLE UNDER THE INTERNAL REVENUE CODE.

Sec. 3. Section 43-1122, Arizona Revised Statutes, is amended to read:

43-1122. Subtractions from Arizona gross income; corporations

In computing Arizona taxable income for a corporation, the following amounts shall be subtracted from Arizona gross income:

1. The amounts computed pursuant to section 43-1022, paragraphs 8 through 15, 28, 29 and 30. For THE purposes of this paragraph, "federal adjusted gross income" as used in section 43-1022 means "federal taxable income".

2. The amount of Arizona capital loss carryover as defined in section 43-1124 in an amount not to exceed one thousand dollars.

3. With respect to a financial institution as defined in section 6-101, expenses and interest relating to tax-exempt income disallowed pursuant to section 265 of the internal revenue code.

4. Dividends received from another corporation owned or controlled directly or indirectly by a recipient corporation. FOR THE PURPOSES OF THIS PARAGRAPH, "control" ~~for purposes of this paragraph~~ means direct or indirect ownership or control of fifty per cent or more of the voting stock of the payor corporation by the recipient corporation. Dividends shall have the meaning provided in section 316 of the internal revenue code. This subtraction shall apply without regard to ~~the provisions of~~ section 43-961, paragraph 2 and article 4 of this chapter. A corporation that has its commercial domicile, as defined in section 43-1131, in this state may subtract the full amount of the dividends. A corporation that does not have its commercial domicile in this state may subtract:

(a) For its taxable year beginning in 1990, an amount equal to one-half of the dividends.

(b) For taxable years beginning in 1991 and thereafter, the full amount of the dividends.

5. Interest income received on obligations of the United States.

6. The amount of dividend income from foreign corporations.

7. The amount of net operating loss allowed by section 43-1123.

8. The amount of any state income tax refunds received which were included as income in computing federal taxable income.

9. The amount of expense recapture included in income pursuant to section 617 of the internal revenue code for mine exploration expenses.

10. The amount of deferred exploration expenses allowed by section 43-1127.

11. The amount of exploration expenses related to the exploration of oil, gas or geothermal resources, computed in the same manner and on the same basis as a deduction for mine exploration pursuant to section 617 of the internal revenue code. This computation is subject to the adjustments contained in section 43-1121, paragraph 8 and paragraphs 9 and 10 of this section relating to exploration expenses.

12. The amortization of pollution control devices allowed by section 43-1129.

13. The amount of amortization of the cost of child care facilities pursuant to section 43-1130.

14. The amount of income from a domestic international sales corporation required to be included in the income of its shareholders pursuant to section 995 of the internal revenue code.

15. The income of an insurance company that is exempt under section 43-1201 to the extent that it is included in computing Arizona gross income on a consolidated return pursuant to section 43-947.

16. The amount of contributions by the taxpayer during the taxable year to medical savings accounts established on behalf of the taxpayer's employees as provided by section 43-1028, to the extent that the contributions are not deductible under the internal revenue code.

17. The amount by which a capital loss carryover allowable pursuant to section 43-1130.01, subsection F exceeds the capital loss carryover allowable pursuant to section 1341(b)(5) of the internal revenue code.

18. THE AMOUNT OF CONTRIBUTIONS BY THE TAXPAYER ON BEHALF OF THE TAXPAYER'S EMPLOYEES DURING THE TAXABLE YEAR TO HEALTH SAVINGS ACCOUNTS ESTABLISHED UNDER SECTION 223 OF THE INTERNAL REVENUE CODE TO THE EXTENT THAT THE CONTRIBUTIONS ARE NOT DEDUCTIBLE UNDER THE INTERNAL REVENUE CODE.

19. THE AMOUNT OF CONTRIBUTIONS BY THE TAXPAYER ON BEHALF OF THE TAXPAYER'S EMPLOYEES DURING THE TAXABLE YEAR UNDER A HEALTH REIMBURSEMENT ARRANGEMENT THAT QUALIFIES UNDER SECTION 105 OF THE INTERNAL REVENUE CODE TO THE EXTENT THAT THE CONTRIBUTIONS ARE NOT DEDUCTIBLE UNDER THE INTERNAL REVENUE CODE.